
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: PLEDGED REVENUES

Primary Government**Governmental Activities**

The State has pledged future federal transportation revenues to repay \$959.525 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 2020. These bonds were issued in May 2015, August 2017 and June 2019. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than 12% of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed 20% of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is \$1.291 billion, payable through fiscal year 2034. For the current fiscal year, principal and interest paid and total federal transportation revenues were \$131.634 million and \$1.46 billion, respectively.

Business-type Activities**North Carolina Turnpike Authority**

The State has pledged, as security for revenue bonds issued by the North Carolina Turnpike Authority (NCTA), net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. As of June 30, 2020, the Triangle Expressway had \$1.432 billion of Appropriation and Revenue bonds payable and the Monroe Expressway had \$485 million of Appropriation and Revenue bonds payable. For the Senior Lien and Toll Revenue bonds, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The State has elected to treat the State Annual Appropriation Revenue Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018. The total principal and interest remaining to be paid on the bonds is \$3.617 billion, payable through fiscal year 2055 (final maturity date). For the current fiscal year, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds and investment revenues) were \$91.258 million and \$90.568 million respectively.

NOTES TO THE FINANCIAL STATEMENTS**Component Units****University of North Carolina System**

The University of North Carolina System has pledged future revenues, net of specific operating expenses, to repay revenue bonds, direct placements and special indebtedness as shown in the table below (dollars in thousands):

Purpose	Revenue Source	Future Revenues Pledged		Current Year		Final Maturity Date	Payable as of 6/30/2020
		(1) Amount	% of Total Revenue Source	Pledged Revenues, Net of Expenses	Principal and Interest Payments		
Revenue Bonds							
Housing and Dining	Housing and Dining Revenues	\$ 10,341	11-23%	\$ 1,852	\$ 459	2021	\$ 10,339
Utilities	Utilities Revenues	16,820	7%	27,608	8,415	2022	16,820
Millennial Campus (2)	University Charges to Athletics and Auxiliary Services	77,974	100%	—	1,755	2049	39,865
Health Care Facilities	Patient Service Revenues	670,923	20.8%	87,501	18,191	2050	426,720
Total		<u>\$ 776,058</u>		<u>\$ 116,961</u>	<u>\$ 28,820</u>		<u>\$ 493,744</u>
Direct Placements							
Utilities	Utilities Revenues	\$ 2,773	32%	\$ 670	\$ 711	2026	\$ 2,595
Housing and Dining	Housing and Dining Revenues	24,670	53.7%	1,826	1,207	2035	18,701
Total		<u>\$ 27,443</u>		<u>\$ 2,496</u>	<u>\$ 1,918</u>		<u>\$ 21,296</u>
Special Indebtedness							
Student Housing System	Housing Revenues	\$ 92,586	32% - 92%	\$ 7,243	\$ 6,866	2041	\$ 81,099

(1) The Future Revenues Pledged amount is equivalent to the total principal and interest remaining to be paid on the associated bonds.

(2) The facility funded by the Millennial Campus Revenue bonds is currently under construction. Revenues will be earned once the facility is placed into service. Bond proceeds totaling \$3.3 million were deposited into a University fund to pay all of the debt service requirements during the construction period.